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Indonesia

Update on regulation related to Taxation on benefits in-kind (“BIKs”) and/or enjoyment

On 20 December 2022, the Government issued [Government Regulation no 55 Year 2022](#) (“PP 55/2022”) regarding ‘Regulatory Adjustment in the Field of Income Tax’, which provides further details on the BIKs and/or enjoyments as well as transition provisions. This is a derivative rule from the recently amended Income Tax Law that regulates several changes regarding income tax, one of which is BIKs.

In general, PP 55/2022 covers the following aspects of BIKs and/or enjoyment:

- BIKs and/or enjoyments are taxable income for the recipient and the cost of BIKs can be deducted from gross income to determine the taxable income for the employer provided that the cost is related to the cost to obtain, collect, and maintain income.
- Few types of BIKs and/or enjoyments are exempted from Income Tax:
 - Meals, groceries, beverage ingredients and/or drinks for all employees, including those provided by the employer at the workplace or in form of coupons for employees whose role required the employees to work outside the office, and those given to all employees with a certain value limit (to be further regulated in a Ministry of Finance (MoF) regulation).
 - BIKs and/or enjoyments provided in certain areas, such as housing, health facilities, education, worship facilities,

transportation, and/or sport. The MoF shall issue further regulation on the process in determining a business location as a certain area,

- BIKs and/or enjoyments that must be provided by the employer in carrying out the work, specifically those related to security, health, and/or safety of the employees.
 - BIKs and/or enjoyments sourced from or funded by the state/regional/village revenue and expenditure budget.
 - BIKs and/or enjoyments with certain types and/or limitations, which will be further regulated by a MoF regulation.
- The value of BIKs is determined based on the market value. While the value of enjoyment is determined based on the actual amount/amount that should be spent by the employer. Procedures for assessing or calculating values of BIKs and/or enjoyments will be further regulated in a MoF regulation.

Transition Provisions

- The regulation provides clarification on the transition period for this new tax treatment of BIKs and/or enjoyments:
 - For employers whose Financial Year 2022 started before 1 January 2022, the new tax treatment on BIKs and/or enjoyments comes into effect from 1 January 2022. Therefore, BIKs and/or enjoyments provided prior to 1 January 2022 are not taxable.
 - For employers whose Financial Year 2022 started on 1 January 2022 or later, the new tax treatment comes into effect when their Financial Year 2022 begins. For example, in the case where the Financial Year 2022 of Employer A is from 1 April 2022 to 31 March 2023, then the BIKs and/or enjoyments provided by Employer A are taxable starting from 1 April 2022 onwards.
- The regulation also provides the transition provision on the employer's withholding tax obligation:
 - Employers are required to withhold tax on a monthly basis, on the BIKs and/or enjoyment received or earned by the employees on 1 January 2023 onwards.
 - If employers have not withheld any tax on taxable BIKs and/or enjoyments received/earned prior to 1 January 2023, the income tax due is to be calculated and paid by the recipient (i.e., the employees) in their 2022 Individual Income Tax Return.

Companies providing BIKs and/or enjoyments to the employees are advised to revisit their withholding tax position and to determine the course of actions on BIKs and/or enjoyments provided in the year 2022 and in the future.

Philippines

Updated Social Security System contributions schedule effective January 2023

On 13 December 2022, the Social Security System (SSS) issued [Circular No. 2022-033](#) prescribing the new schedule of contributions effective January 2023. According to the circular, the contribution rate will be increased to 14%, the minimum Monthly Salary Credit (MSC) to P4,000, and the maximum MSC to P30,000.

Furthermore, reflected in the new table are Social Security contributions, employees' compensation, and workers' investment and savings program administered by the SSS.

Suspension of Philippine Health Insurance Corporation premium rate increase for year

The scheduled increase of the premium rate from 4% to 4.5% and income ceiling from P80,000 to P90,000 for calendar year 2023 has been suspended in compliance with the directive issued by the Office of the President of the Philippines.

In line with the order of the President, Philippine Health Insurance Corporation (PHIC) released an official statement to affirm the suspension of PHIC premium rate for calendar year 2023.

For reference, below are the links to the memorandum and the PHIC official statement.

[Memorandum For Suspension of PHIC Premium Rate](#)
[PHIC Official Statement on Premium Increase Suspension](#)

Implementation of revised withholding tax table

In accordance with the Tax Reform for Acceleration and Inclusion Law under the Comprehensive Tax Reform Program, the withholding tax schedule for individual taxpayers has been revised effective 1 January 2023, reducing personal income taxes for those earning P8,000,000 and below, compared to the initial tax cuts that were in effect from January 2018 to December 2022.

Click [here](#) to access the revised withholding tax table.



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